

MAR 1948

529

\*ARMY  
Declass/Release  
Instructions On File\*

**TOP SECRET**  
**CONFIDENTIAL**

**EUROPE**

1. **AUSTRIA:** Breakdown of Austrian negotiations expected -- US Embassy London reports that the US, British, and French deputies for the Austrian treaty discussions have concluded that the present attitude of the Soviet deputy indicates that there is little room for negotiation with the USSR and that the western powers cannot accept the present Soviet proposal. The British and French deputies consider that although little can be gained by continuing the talks on this basis, they would like before adjourning the discussions to demonstrate more clearly Soviet unwillingness to compromise.

(CIA Comment: CIA believes that the USSR will not recede from its position and that the negotiations will, therefore, break down.)

Restoration of Austrian governmental functions suggested --  
According to US Minister Eberhardt, Austrian Foreign Minister Gruber has urged that, if the present negotiations on Austria break down, a conference be immediately initiated among Austria and the three western occupying powers in order to arrange for the restoration to Austrians of most of the remaining governmental functions exercised by the occupation forces. Gruber declared that following such a restoration of functions he could show the Austrian people that troops of the western powers remained only to safeguard Austrian sovereignty and independence and that only the USSR considered Austria as an occupied country.

(CIA Comment: CIA agrees with Gruber's analysis of the effects which a further transfer of authority to the Austrian Government would have upon Austrian public sentiment.)

**NEAR EAST-AFRICA**

2. **IRAN:** Arms negotiations with US reach impasse -- The US Military Attache in Tehran reports that Iranian military and financial circles are considerably disturbed over the apparent unwillingness of the US to negotiate further regarding payment

State Dept. review completed

DIA review  
completed.

ARMY review completed

Document No. 654

NO CHANGE in Class. ☐

☐ DECLASSIFIED

Class. CHANGED TO: TS S (C)

DDA MARS, 4 APR 77

DDA REG. 17/1763

Date: 13 MAR 1970

**CONFIDENTIAL**  
**TOP SECRET**

~~CONFIDENTIAL~~ SECRET

of the cost of packing and shipping US surplus arms to Iraq. The MA believes that unless the US revises its position, the arms credit is "a dead issue."

25X1

3. INDIA: Kashmir, Sikh problems seen preventing pact-- According to US Ambassador Ailing in Karachi, the Pakistan Minister of Finance has confidentially expressed the belief that Pakistan would be prepared to offer India a 20-year defensive alliance following settlement of the Kashmir dispute and the "troublesome" Sikh question. The Minister told Ailing that on his personal responsibility he had made such a proposal to Prime Minister Nehru of India. The Minister further expressed confidence that once these two matters were adjusted an economic and financial agreement with India could be reached within 24 hours.

#### FAR EAST

4. KOREA: Reported North Korean Army plans--Members of General Hodge's staff have been informed by an official of the South Korean Labor Party that the Labor Party has received word that the North Korean People's Army will invade South Korea some time in April. Hodge feels that "such an invasion is by no means improbable."

(CIA Comment: CIA believes that offensive action by the North Korean People's Army against South Korea is no more than a remote possibility so long as US forces continue in occupation. The risks in such a move would be considerable for the USSR, and the advantages would not outweigh those to be obtained by awaiting a US withdrawal.)

- 2 -

~~CONFIDENTIAL~~ TOP SECRET

**CONFIDENTIAL**  
**TOP SECRET**

5. BURMA: Abrogation of US military air rights requested--  
US Ambassador Huddle reports that the Government of Burma has asked for abrogation of the US-UK agreement concerning the rights of US military aircraft over Burma. The Ambassador indicates that the Burmese request resulted from: (a) widespread reaction to rumors that unidentified airplanes have been dropping military supplies to the dissident Karen; and (b) the Government's desire to demonstrate its sovereign authority. Although the Burmese Foreign Minister has agreed to explore the problem, Huddle feels there is little hope of reaching a mutually satisfactory agreement.

25X1

- 3 -

**CONFIDENTIAL**  
**TOP SECRET**